

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such long-term indebtedness and guarantees not to exceed \$2 billion; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; to issue, sell and deliver in one or more series, an aggregate amount not to exceed \$200 million par or stated value of First Preferred Stock -- \$25 Par Value; to issue an aggregate \$2.0 billion of short-term debt obligations; to utilize various debt enhancement features; enter into interest rate hedges; and for an exemption from the Commission's Competitive Bidding Rule. (U 39 M)

Application 04-05-041  
(Filed May 27, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING THE  
APPLICANT TO FILE A SUPPLEMENT TO THE APPLICATION**

Pacific Gas and Electric Company (PG&E) shall file at the Commission's Docket Office a supplement to Application (A.) 04-05-041 that contains the following information and documents:

1. The information in Appendix F of A.04-05-041 regarding the types and amounts of PG&E's authorized and outstanding debt and equity appears to be obsolete. Please provide a table that shows the current types and amounts of PG&E's authorized and outstanding debt and equity. The table should be in the following format:

| <b>A</b>   | <b>B</b>                   | <b>C</b>                                  | <b>D</b>                         | <b>E</b>                                    | <b>F</b>   |
|--|----------------------------|---|----------------------------------|---|--|
| <b>Each Type of Debt and Equity Currently Authorized</b> | <b>Commission Decision</b> | <b>When Authority to Issue Terminates</b> | <b>Amount Authorized (\$000)</b> | <b>Amount Currently Outstanding (\$000)</b> | <b>The Line Number of the Balance Sheet Provided in Response to Question 2 Below</b> |
|  |                            |   |                                  |   |  |
|  |                            |   |                                  |   |  |
|  |                            |   |                                  |   |  |
| <b>Total</b>   |                            |   | <b>\$XXX</b>                     | <b>\$YYY</b>                                |  |

2. Please provide a balance sheet that reflects the "exit financing" described on pages 3 - 5 and 29 of A.04-05-041. The balance sheet should have (i) the same level of detail as the balance sheet shown in Exhibit D of A.04-05-041, and (ii) line numbers (similar to the line numbers in the right-hand column in Exhibit D) that tie into Column F of the Table provided in response to Question 1 above.
3. Page 5 of A.04-05-041 provides several reasons why PG&E believes it needs to issue additional debt and equity. One reason is to replace maturing debt. Please identify which debt shown in the Table provided in response to Question 1 will be replaced with debt and/or equity issued pursuant to A.04-05-041 and the year the replacement will occur.
4. PG&E is authorized by Ordering Paragraph (OP) 1 of Decision (D.) 04-01-024 to issue \$10 billion of debt and equity. If not provided in response to Question 1 above, please state how much debt and equity has been issued pursuant to D.04-01-024. To the extent there is unused authority, has the unused authority now terminated? Why or why not?

5. PG&E is authorized by OP 5 of D.04-01-024 to issue \$2.5 billion of short-term debt.
  - a. Is the \$2.5 billion of short-term debt part of, or in addition to, the \$10 billion of debt and equity authorized by OP 1 of D.04-01-024?
  - b. Pages 6 – 7 of A.04-05-041 states that PG&E is authorized by D.04-01-024 to issue \$1.5 billion of short-term debt. However, OP 5 of D.04-01-024 provides PG&E with authority to issue \$2.5 billion of short-term debt. Please explain the reasons for this discrepancy.
6. Application 04-05-041 requests authority to issue \$2.7 billion of debt and equity. Does PG&E request permanent authority to issue \$2.7 billion of debt and equity? If not, when would the authority expire?
7. Application 04-05-041 requests authority to issue \$2.2 billion of preferred stock and long-term debt. The request is subject to Pub. Util. Code Section 817 which states, in relevant part, as follows:

**Section 817:** A public utility may issue stocks and . . . [debt] payable at periods of more than 12 months after the date thereof for any of the following purposes and no other:

- (a) For the acquisition of property.
- (b) For the construction, completion, extension, or improvement of its facilities.
- (c) For the improvement or maintenance of its service.
- (d) For the discharge or lawful refunding of its obligations.
- (e) For the financing the acquisition and installation of electrical and plumbing appliances and agricultural equipment which are sold by other than a public utility, for use within the service area of the public utility.
- (f) For the reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization.
- (g) For the retirement of or in exchange for . . . outstanding stocks or . . . [debt] . . . of such public utility, with or without the payment of cash.

- (h) For the reimbursement of moneys expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks . . . or [debt] . . . of the public utility, for any of the aforesaid purposes except maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purposes for which such expenditure was made.

Please state exactly how much of the \$2.2 billion that PG&E receives from the issuance of preferred stock and long-term debt will be spent for each "purpose" authorized by Section 817. If appropriate, please indicate if a particular expenditure falls into two or more "purposes" authorized by Section 817. PG&E's response should be in the following format:

| <b><u>Code Section/Purpose</u></b>            | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>Total</b>             |
|---|-------------|-------------|-------------|-------------|-------------|--------------------------|
| 817(a)  |             |             |             |             |             |                          |
| 817(b)  |             |             |             |             |             |                          |
| 817(c)  |             |             |             |             |             |                          |
| 817(d)  |             |             |             |             |             |                          |
| 817(e)  |             |             |             |             |             |                          |
| 817(f)  |             |             |             |             |             |                          |
| 817(g)  |             |             |             |             |             |                          |
| 817(h)  |             |             |             |             |             |                          |
| Multiple Code Sections<br>(Identify Sections) |             |             |             |             |             |                          |
| Multiple Code Sections<br>(Identify Sections) |             |             |             |             |             |                          |
| <b>Total</b>                                  |             |             |             |             |             | <b>\$2.2<br/>billion</b> |

8. Section 818 states, in relevant part, as follows:

**Section 818:** No public utility may issue stocks . . . [or debt] payable at periods of more than 12 months after the date thereof unless . . . it shall first have secured from the commission an order authorizing the issue, stating the amount thereof and the purposes to which the issue or the proceeds thereof are to be applied, and that, in the opinion of the commission, **the money, property, or labor to be procured or paid for by the issue is reasonably required for the purposes specified in the order, and that**, except as otherwise permitted in the order . . . **such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.** (Emphasis added.)

Please explain why the money, property, or labor to be procured or paid with the \$2.2 billion of preferred stock and long-term debt issued pursuant to A.04-05-041 is reasonably required by PG&E and not reasonable chargeable to operating expenses or to income.

9. Schedule II of PG&E's supplement dated June 21, 2004, is a statement of projected cash flow for the years 2004 through 2008. Schedule III is a statement of projected cash requirements for the years 2004 through 2008. Schedule IX-B is a statement of projected capitalization ratios for the years 2004 through 2008.
- a. Does Schedule II reflect the debt and equity issued pursuant to A.04-05-041? If so, please provide a new schedule, titled Schedule II (1), that shows on a stand-alone basis the cash flows associated with the debt and equity issued pursuant to A.04-05-041 for the years 2004 through 2008. If not, please provide (i) a revised Schedule II that reflects the debt and equity issued pursuant to A.04-05-041, and (ii) the previously described Schedule II (1).
- b. Does Schedule III reflect the debt and equity issued pursuant to A.04-05-041? If so, please provide a new schedule, titled Schedule III (1), that shows on a stand-alone basis the uses & sources of the funds associated with the debt and equity issued pursuant to A.04-05-041 for the years 2004 through 2008. If not, please provide

- (i) a revised Schedule III that reflects the debt and equity issued pursuant to A.04-05-041, and (ii) the previously described Schedule III (1).
- c. Does Schedule IX-B reflect the debt and equity issued pursuant to A.04-05-041? If so, please provide a new schedule, titled Schedule IX-B (1), that shows how much of the debt and equity issued pursuant to A.04-05-041 is reflected in each row and column of Schedule IX-B. If not, please provide (i) a revised Schedule IX-B that reflects the issuance of the debt and equity requested in A.04-05-041, and (ii) the previously described Schedule IX-B (1).
10. Please provide the same information shown in Schedules I, II, III, IX-A, and IX-B of the supplement dated June 21, 2004, for each of the years 2000, 2001, 2002, and 2003 (i.e., provide Schedules I, II, III, IX-A, and IX-B showing recorded data for each of the years 2000, 2001, 2002, and 2003).
11. Schedule II of the supplement dated June 21, 2004, has a line item for net changes in accounts receivable/payables. Please explain why the years 2004 and 2005 for this line item differ markedly from the other years.
12. Schedule II of the supplement dated June 21, 2004, has a line item under Financing Activities titled "Short-Term Position." Schedule III has a line item under Sources of Funds titled "Net Change in Short-Term Position." The amount shown for each line item is the same for all years except 2004. Please explain why these two line items differ for the year 2004.
13. In A.04-05-041, PG&E requests authority to increase its short-term debt by \$500 million, i.e., from \$1.5 billion to \$2 billion. Schedule IX-B of the supplement dated June 21, 2004, has a line item titled "Short Term Debt." Please state whether and how the amounts shown in this line item for the years 2004 – 2008 supports PG&E's request for authority to issue \$500 million of additional short-term debt.

14. Pages 6 – 7 of A.04-05-041 states that PG&E needs authority to issue \$500 million of additional short-term debt to (i) respond to contingencies such as temporary under-collections of balancing accounts receivable and unanticipated changes to working capital, and (ii) provide credit support for energy procurement transactions.
  - a. Please explain why PG&E believes that the \$1.5 billion of short-term debt authorized by D.04-01-024 will not be sufficient to (i) respond to contingencies such as temporary under-collections of balancing accounts receivable and unanticipated changes to working capital, and (ii) provide credit support for energy procurement transactions.
  - b. If not already provided in response to Question 9, please provide revised Schedules II, II (1), III, III (1), IX-B, and IX-B (1) that explicitly show (i) how much of the \$1.5 billion of short-term debt authorized by D.04-01-024 will be issued and outstanding during each of the years 2004 through 2008, and (ii) how much of the \$500 million of short-term debt requested in A.04-05-041 will be issued and outstanding during each of the years 2004 through 2008.
15. Schedule X of the supplement dated June 21, 2004, contains a calculation of the fee required by Pub. Util. Code Section 1904(b). The calculation appears to reflect \$2.2 billion of new long-term debt and equity requested by A.04-05-041, but does not appear to reflect \$500 million of new short-term debt requested by A.04-05-041.
  - a. Does PG&E believe that Section 1904(b) applies to its request for authority to issue \$500 million of additional short-term debt? If yes, please provide a revised Schedule X that reflects \$500 million of short-term debt. If not, please provide a detailed explanation for why PG&E believes that Section 1904(b) does not apply.
  - b. Page 26 of A.04-05-041 states that PG&E may use the debt and equity requested by the Application for, among other things, to retire and refund securities for which PG&E previously paid the fees required by Sections 1904 and 1904.1. Please state whether and how the calculation of the fee in Schedule X reflects the use of debt and equity requested in A.04-05-041 to retire and refund securities for which PG&E previously paid the fees required by Sections 1904 and 1904.1.

- c. Please state exactly how much of the debt and equity requested in A.04-05-041 will be used to retire and refund securities for which PG&E previously paid the fees required by Sections 1904 and 1904.1.
  - d. Please identify (i) the specific types and amounts of securities for which PG&E previously paid the fees required by Section s1904 and 1904.1 that will be retired and refunded with debt and equity issued pursuant to A.04-05-041, (ii) when these previously issued securities will be retired and refunded, and (iii) the Commission Decision(s) that authorized the previously issued securities.
16. In A.04-05-041, PG&E requests authority to issue hedging instruments. In their joint concurring opinion to Decision 03-09-020, Commissioners Lynch and Wood stated that "PG&E should have filed an application that provided information on the maximum amount that PG&E expects to pay for the hedging instruments along with clear limits on the types of hedges that PG&E wants to pursue." Please provide the following information regarding the hedges requested in A.04-05-041:
- a. The maximum amount(s) that PG&E expects to pay for hedging instruments.
  - b. A description of the clear limits, if any, that PG&E proposes with respect to the hedges.
17. Please provide copies of the letters from the Commission's Financing Team dated 10/24/03 and 3/4/04 that are referred to on pages 4 - 5 of A.04-05-041. Please also provide copies of any other letters from the Financing Team that have a bearing the types and amounts of debt and equity that PG&E is authorized to issue.
18. Application 04-05-041 states at page 5 that "with limited exceptions, the financing authorization PG&E received from the Commission related solely to the exit financing necessary to implement PG&E's Plan of Reorganization." Please identify and describe all "exceptions."



19. Application 04-05-041 states at page 5 that PG&E needs new general financing authorization for, among other things, to "re-finance or replace short-term exit financing facilities when appropriate." Does this mean that the authority to issue short-term debt that is part of the exit financing should terminate to the extent it is refinanced or replaced with debt issued pursuant to A.04-05-041? Why or why not?
20. Application 04-05-041 repeatedly states that PG&E may issue debt and equity through an affiliate or subsidiary (collectively, "subsidiaries").
  - a. Please provide a detailed explanation regarding whether and how PG&E's transactions with its subsidiaries would comply with Pub. Util. Code Section 701.5.
  - b. Please provide a detailed explanation for why PG&E believes it is reasonable and cost effective to issue debt and equity through subsidiaries.
  - c. What authority would the Commission have over the assets, debt, equity, and activities of the subsidiaries?
  - d. Decisions 03-12-004 and 03-11-018 authorized Southern California Edison Company (SCE) to issue debt through a subsidiary with the following conditions: "SCE's subsidiary should be created solely for the purpose of issuing securities to the public or privately to support SCE's operations or service. SCE should have 100% ownership and control of the subsidiary. In addition, the activities of the subsidiary should be subject to federal or state securities regulation and to the regulation of the Commission through its oversight of SCE's financing activities." Should these conditions apply to debt and equity issued by PG&E through its subsidiaries? Why or why not?
  - e. Would PG&E's balance sheet show all debt and equity issued by subsidiaries pursuant to A.04-05-041? If not, how much debt and equity issued by subsidiaries pursuant to A.04-05-041 would not appear on PG&E's balance sheet.
  - f. Please identify all existing subsidiaries similar to those proposed in A.04-05-041. Please explain the purpose of each subsidiary and the Commission decision authorizing the subsidiary.

21. Application 04-05-041 requests authority on page 15 to issue contingent First Mortgage Bonds to secure other debt, excluding First Mortgage Bonds issued as primary, and not contingent, obligations of PG&E. The Application states that, consistent with the approach taken by the Commission's Financing Team with respect to credit support for the commercial bank financings, the contingent First Mortgage Bonds should not be counted against the debt authorized by the Commission.
  - a. Please demonstrate that PG&E's request is consistent with the approach taken by the Commission's Financing Team.
  - b. Please provide a detailed explanation as to why the contingent First Mortgage Bonds should not be counted against the amount of authorized debt.
  - c. Will the contingent First Mortgage Bonds pay interest prior to the occurrence of the contingencies?
22. Application 04-05-041 states in Items 4 and 5 on pages 30 - 31 that encumbrances (besides the contingent First Mortgage Bonds) should not be counted against the debt authorized by the Commission if the encumbrances are used for credit enhancements. Please provide a detailed explanation as to why such encumbrances should not be counted against the debt authorized by the Commission.
23. Application 04-05-041 indicates in Footnote 3 on page 5 and on pages 17 - 18 that PG&E seeks authority to issue \$454 million of taxable debt to refinance the "bridge loans" for certain pollution control bonds in the event that PG&E is unable to refinance the bridge loans by July 2004 with tax-exempt debt that is part of the exit financing.
  - a. Please state whether PG&E has or will refinance the bridge loans with tax-exempt debt that is part of the exit financing.
  - b. Assuming that PG&E has or will refinance the bridge loans with tax-exempt debt that is part of the exit financing, should PG&E's request for new financing in A.04-05-041 be reduced by \$454 million? Why or why not? Conversely, if PG&E refinances the bridge loans with debt issued pursuant to A.04-05-041, should the exit-financing authority be reduced by \$454 million? Why or why not?

24. Is the \$2.7 billion of debt and equity that PG&E seeks authority to issue in A.04-05-041 subject to any terms or conditions in PG&E's Plan of Reorganization approved by the U.S. Bankruptcy Court or the Bankruptcy Settlement Agreement approved by the Commission in December 2003? If so, please provide a detailed explanation.
25. Does PG&E need to provide notice to, or obtain permission from, any person or entity besides the Commission and securities regulators (e.g., the SEC) before PG&E issues the \$2.7 billion of debt and equity requested in A.04-05-041? For example, does PG&E have to provide notice to, or obtain permission from, the Commission's Financing Team? If so, please provide a detailed explanation.
26. Application 04-05-041 does not address the requirements of the California Environmental Quality Act (CEQA), even though the Application requests authority to issue debt and equity to help finance, among other things, \$1.7 billion of annual capital expenditures. These expenditures include upgrades to PG&E's retained generation and electric and gas distributions facilities. (A.04-05-041, page 5.) Is A.04-05-041 subject to CEQA? If not, please explain why.

PG&E shall file a supplement containing the above information and documents at the Commission's Docket Office by no later than July 9, 2004. The contents of the supplement shall be verified in accordance with Rule 2.4 of the Commission's Rules of Practice and Procedure. PG&E shall email an electronic copy of the supplement to the assigned Administrative Law Judge (ALJ) at [tim@cpuc.ca.gov](mailto:tim@cpuc.ca.gov). The electronic copy should be in Microsoft Word, if possible. PG&E shall also provide a hardcopy of the supplement to the ALJ.

**IT IS RULED** that:

1. On or before July 9, 2004, Pacific Gas and Electric Company (PG&E) shall file at the Commission's Docket Office a supplement to Application 04-05-041 that contains the information and documents specified in the body of this ruling.
2. The contents of the supplement shall be verified in accordance with Rule 2.4 of the Commission's Rules of Practice and Procedure.
3. PG&E shall email an electronic copy of the supplement to the assigned Administrative Law Judge (ALJ) at tim@cpuc.ca.gov. The electronic copy should be in Microsoft Word, if possible. PG&E shall also provide a hardcopy of the supplement to the ALJ.

Dated June 25, 2004, at San Francisco, California.

/s/ TIMOTHY KENNEY

Timothy Kenney  
Administrative Law Judge

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Directing the Applicant to File a Supplement to the Application on all parties of record in this proceeding or their attorneys of record.

Dated June 25, 2004, at San Francisco, California.

/s/JANET V. ALVIAR

Janet V. Alviar

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.